

Teacher Lesson Plan

Module 4: Dependents

Time Frame

One to three class periods

Curriculum Area(s)

- Technology
- Civics/Government
- Family and Consumer Sciences
- History/Social Studies
- Economics

Purpose

To help students understand who is a dependent and how the number of dependents affects taxable income

Objectives

Students will be able to

- explain how the dependency exemption affects taxable income.
- apply the five dependency tests to determine whether a person can be claimed as a dependent.

Materials

Online

[Student Lesson—Dependents](#)

[Tax Tutorial—Dependents](#)

[Simulation 4A—Identifying Dependents as a Single Taxpayer](#)

[Simulation 4B—Identifying Dependents as a Single Taxpayer with Children](#)

[Simulation 4C—Identifying Dependents](#)

[Assessment—Dependents](#)

[Assessment Solutions—Dependents](#)

Print (PDF)

[Fact Sheet—Dependents](#)

[Teacher Lesson Plan—Dependents](#)

Background

A dependent is a person other than the taxpayer or spouse who entitles the taxpayer to claim a dependency exemption. Each dependency exemption decreases income subject to tax by the exemption amount. The exemption amount for 2007 was \$3,400.

New rules apply to claim a dependency exemption. A dependent may be either a "Qualifying Child" or a "Qualifying Relative."

A. To claim a dependency exemption for a qualifying child, all of the qualifying child dependency tests must be met:

- Dependent Taxpayer Test
- Joint Return Test
- Citizenship Test
- Relationship Test
- Age Test
- Residency Test
- Support Test

B. To claim a dependency exemption for a qualifying relative, the person must meet the following tests:

- Dependent Taxpayer Test
- Joint Return Test
- Citizenship Test
- Not a Qualifying Child Test
- Member of Household or Relationship Test
- Gross Income Test
- Support Test

Taxpayers cannot claim a dependency exemption for a person who can be claimed as a dependent on another taxpayer's return.

Key Terms

Citizen or Resident Test—Assuming all other dependency tests are met, the citizen or resident test allows taxpayers to claim a dependency exemption for persons who are U.S. citizens for some part of the year or who live in the United States, Canada, or Mexico for some part of the year.

dependent—A person, other than the taxpayer or spouse, who entitles the taxpayer to claim a dependency exemption.

dependency exemption—Amount that taxpayers can claim for their eligible dependents. Each exemption reduces the income subject to tax. The exemption amount is a set amount that changes from year to year.

exemption amount—Amount that taxpayers can claim for themselves, their spouses, and eligible dependents. There are two types of exemptions—personal and dependency. Each exemption reduces the income subject to tax. The exemption amount is a set amount that changes from year to year.

gross income—Money, goods, services, and property a person receives that must be reported on a tax return. Includes unemployment compensation and certain scholarships. It does not include welfare benefits and nontaxable Social Security benefits.

support—For dependency test purposes, support includes food, clothing, shelter, education, medical and dental care, recreation, and transportation. It also includes welfare, food stamps, and housing provided by the state. Support includes all income, taxable and nontaxable.

Opening the Lesson

Hand out Fact Sheet—Dependents. Use the following questions to prompt students to share their knowledge of dependents: (Handle these questions carefully because, in some situations, this issue causes ongoing disagreements, especially in cases of divorce or separation.)

- What does it mean to claim someone as a dependent on a tax return?

The taxpayer can reduce taxable income for each dependent claimed.

- In what situations should a taxpayer be able to claim a person as a dependent?

In general, dependency exemptions are allowed for family and household members who are young, who do not make very much money, and who are supported by the taxpayer.

Note: For students who may want to work independently on this module, refer them to Student Lesson—Dependents.

Developing the Lesson

Direct students to Tax Tutorial—Dependents, and explain that this tax tutorial focuses on dependents. Tell students that they will learn how a dependency exemption affects taxable income and how to determine whether a person can be claimed as a dependent. Emphasize that a person can be claimed as a dependent on only one tax return.

Online Activities

Direct students to Simulation 4A—Identifying Dependents as a Single Taxpayer, Simulation 4B—Identifying Dependents as a Single Taxpayer with Children, and Simulation 4C—Identifying Dependents. Explain that by using information about Michael Brand, Samantha Nichols, and Sandya Prashad, they will answer a series of questions to determine whether the individuals can claim dependency exemptions.

Concluding the Lesson

After students have completed Tax Tutorial—Dependents and Simulation 4A—Identifying Dependents as a Single Taxpayer, Simulation 4B—Identifying Dependents as a Single Taxpayer with Children, and Simulation 4C—Identifying Dependents, ask whether they have questions about dependents. To ensure that they understand the material, ask the following questions:

- Does a qualifying relative dependent have to be a relative?
not if the dependent meets the member of household test
- Does a qualifying child dependent have to be a U.S. citizen or resident?
not if the dependent meets the resident of Canada or Mexico test or if the dependent qualifies for a temporary absence
- Can a qualifying relative dependent have taxable income of more than the exemption amount?
No

Assessment

As a final review, summarize the major lesson points. Remind students that for each dependent, the taxpayer can reduce taxable income by the exemption amount. Students should use all of the tests to determine whether a person can be claimed as a dependent. Emphasize that a taxpayer cannot claim a dependency exemption for a person who can be claimed as a dependent on another taxpayer's return. When students are comfortable with the material, have them complete Assessment—Dependents.

Assessment

Module 4: Dependents

Part 1

Answer the following multiple-choice questions about dependents by clicking on the correct answers. To assess your answers, click the *Check My Answers* button at the bottom of the page.

1) Is the Relationship Test met?

- A. Yes *Correct*
- B. No

2) Which person does *not* meet the Citizen or Resident Test?

- A. A U.S. citizen who lived in Japan for six months
- B. A permanent, full-time resident of Australia *Correct*
- C. A permanent, full-time resident of Mexico
- D. A permanent, full-time resident of the United States

3) Which statement is true about the Gross Income Test?

- A. All dependents must meet the Gross Income Test.
- B. Gross income includes all taxable and nontaxable income.
- C. Welfare benefits are included in gross income.
- D. Only taxable income is included in gross income. *Correct*

Part 2

Sydney, a single U.S. citizen, is a 20-year-old full-time student at a university in Ohio. During the school year, Sydney's parents pay her tuition and room and board (about \$12,000), and she works part-time to earn spending money. During the summer, Sydney works full-time in an assembly plant. For the entire year, Sydney earned \$5,000. Sydney's parents cannot be claimed as dependents on another person's tax return. Answer the following multiple-choice questions by clicking on the correct answers to determine whether her parents can claim a dependency exemption for Sydney. To assess your answers, click the *Check My Answers* button at the bottom of the page.

1) Is the Member of Household or Relationship Test met?

- A. Yes *Correct*
- B. No

2) Is the Citizen or Resident Test met?

- A. Yes *Correct*
- B. No

3) Is the Joint Return Test met?

- A. Yes *Correct*
- B. No

4) Is the Age Test met?

- A. Yes *Correct*
- B. No

5) Is the Support Test met?A. Yes *Correct*

B. No

6) Is the Residency Test met?A. Yes *Correct*

B. No

7) Can Sydney's parents claim a dependency exemption for Sydney?A. Yes *Correct*

B. No